



City of Seattle
Office of Housing
Home Buyer Assistance Program
Loan Terms Summary

The Seattle Office of Housing (OH) has standard loan documents for downpayment assistance loans to first-time home buyers. The purpose of these new documents is to: 1) increase the consistency among the lending programs and development projects funded via the City's NOFA process; and, 2) add a shared appreciation component to City loans to implement the 2002 Levy requirement for anti-windfall provisions.

Existing programs that incorporate anti-windfall requirements (such as HomeSight's Hope Loan and Homestead Community Land Trust) may continue to use their shared appreciation, resale restrictions and/or purchase option documents. OH was requested to develop standard documents for use by other applicants.

Beginning in 2003, downpayment assistance programs or projects will use standard OH loan documents incorporating these terms, unless the applicant proposes an alternative approach. New applicants are required to have all lending documents approved by OH prior to originating loans, if they are not using the standard documents.

OH developed these terms within the existing parameters adopted in the Levy Administrative and Financial Plan. Our objective was to achieve a balance between two goals: 1) to bring funds back to the program to assist future buyers; and, 2) to allow the owner to retain sufficient equity so they could purchase their next home. The proposed loan terms are very close to the standard loan terms used by HomeSight when buyers purchase existing homes. These terms provide the following advantages:

- Interest-only payments, deferred for 8 years, allows time for household income to grow before payments begin, but gradually brings income back to the program to lend to future buyers
- Shared appreciation also brings income back to the program to assist future buyers. But the share to be paid to the City when the owner sells the property begins to decline at year nine of occupancy. Reducing the share is good public policy because it acknowledges the owner's on-going investment in the home and provides an incentive for long-term ownership that brings stability to neighborhoods, especially economically distressed neighborhoods.

Proposed Downpayment Assistance Loan Terms

Borrower	First-time home buyer with income up to 80% of median, indexed by household size
Property	Home located in the City of Seattle, including detached home, townhouse, condominium and cooperative units. The home must be vacant or owner-occupied at the time of sale, and must meet housing quality standards and lead paint rules.
Purchase Price Limit	Indexed to the FHA mortgage limit. Currently \$262,295.
Loan Amount	Gap financing up to \$45,000 per buyer, or up to \$70,000 per buyer for programs using pooled subsidy funds
Term of Loan	37 years
Interest at 3%	<p>Years 1 to 8: interest is deferred (deferred interest is added to principal at year 9)</p> <p>Year 9 to 30: interest-only monthly payments based on recalculated principal</p> <p>Year 31 to 37: principal and interest monthly payments; note fully paid at end of year 37</p>
Borrower Residency Requirement	Home must be the borrower's principle residence. Loan must be repaid if the home is sold or transferred to another owner, or if leased as rental housing.
Shared Appreciation	<p>Years 1 to 8: if the home is sold or transferred, owner pays city a share of the net proceeds equal to the proportion of the City loan to the original purchase price (City loan divided by original purchase price). Net proceeds is calculated as sale price less the purchase price, City and other downpayment loans, documented improvements to the home, and reasonable selling costs.</p> <p>Beginning year 9: the share of appreciation to be paid to the City declines by 2 points per year until it reaches zero</p>